

Message Text

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ACTION EA-14

INFO OCT-01 NEA-10 ISO-00 SSO-00 NSCE-00 INRE-00 USIE-00

EB-1; AID-20 CIAE-00 COME- 0 FRB-02 INR-10 NSAE- 0

RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03 CIEP-02 LAB-06

SIL-01 OMB-01 DODE-00 PM-07 H-03 L-03 NSC-10 PA-04

PRS-01 SS-20 ACDA-19 IO-14 DRC-01 /183 W

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O 100640Z DEC 73

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC IMMEDIATE 2154

INFO AMEMBASSY TOKYO

AMEMBASSY WELLINGTON

AMEMBASSY NEW DELHI IMMEDIATE

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NEW DELHI FOR AMBASSADOR GREEN

EO 11652: N/A

TAGS: PINT, ECON, AS

SUBJ: VOTERS SOUNDLY REJECT PRICE AND

INCOME CONTROLS

REF: NEW DELHI 14417

1. SUMMARY: VOTERS SOUNDLY DEFEATED BOTH CONSTITUTIONAL REFERENDA TO GRANT GOA PRICE AND INCOME CONTROL AUTHORITY. DOUBLE DEFEAT IS LIMITED SET-BACK FOR PRIME MINISTER, WHO SUPPORTED BOTH, AND MODEST BOOST FOR OPPOSITION, WHICH OPPOSED THEM. SPECULATION NOW CENTERS ON WHAT POLICY MEASURES GOA WILL NOW TAKE TO RESTRAIN STRONG INFLATIONARY PRESSURE. END SUMMARY.

2. AUSTRALIAN VOTERS IN THE SIX STATES SOUNDLY DEFEATED

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TWO CONSTITUTIONAL REFERENDA DECEMBER 8 TO GRANT THE COMMONWEALTH (FEDERAL) GOVERNMENT POWER TO CONTROL PRICES

AND INCOMES. PRIME MINISTER WHITLAM HAD ENDORSED BOTH PROPOSITIONS AFTER INITIALLY WANTING ONLY PRICE CONTROL AUTHORITY. OPPOSITION LIBERAL AND COUNTRY PARTY SPOKESMEN URGED "NO-NO" VOTES, WHEREAS ACTU AND LABOR PARTY PRESIDENT HAWKE URGED "YES-NO" VOTE, REFUSING TO ENDORSE INCOME CONTROL. VOTE WAS 56 PERCENT AGAINST PRICE AND 65 PERCENT AGAINST INCOME CONTROL, WITH ALL SIX STATES REJECTING BOTH. RESIDENTS OF AUSTRALIAN CAPITAL AND NORTHERN TERRITORIES COULD NOT VOTE.

3. REFERENDA CAMPAIGN WAS WIDELY PUBLICIZED BUT FAILED TO ATTRACT THE KEEN VOTER ATTENTION OF 1972 GENERAL ELECTION, ALTHOUGH VOTING IN STATES WAS COMPULSORY. WHITLAM ARGUED THAT GOVERNMENTS IN MOST ADVANCED, INDUSTRIALIZED COUNTRIES POSSESS PRICE AND INCOME CONTROL AUTHORITY AND THAT GOA NEEDS BOTH TO DEAL EFFECTIVELY WITH RAMPANT INFLATION. OPPOSITION LEADER SNEDDEN RETORTED THAT, WHILE INFLATION VERY SERIOUS, GOA DOES NOT NEED AND MIGHT ABUSE ADDITIONAL ECONOMIC POWER. SNEDDEN ADVOCATED CONFERENCE OF GOA, STATE, UNION AND EMPLOYER LEADERS TO DEAL WITH PROBLEM, TEMPORARY TRANSFER OF STATE POWERS TO CANBERRA UNDER EXISTING CONSTITUTIONAL PROCEDURES FOR USE BY GOA IN COORDINATION WITH STATE GOVERNMENTS, PLUS "90-DAY WAGE AND PRICE FREEZE." HAWKE BACKED PRICE CONTROL BUT AVERRED INCOME CONTROL MIGHT BE USED TO UNION MOVEMENT'S DISADVANTAGE BY FUTURE NON-LABOR GOA.

4. PRESS COMMENT GENERALLY INTERPRETS SIZEABLE "NO-NO" MAJORITY AS PARTIAL DEFEAT FOR PRIME MINISTER AND QUALIFIED VICTORY FOR OPPOSITION. VOTE ALSO WAS SET-BACK FOR PUBLIC OPINION POLLS, WHICH HAD INDICATED PRICE CONTROL WOULD PROBABLY WIN. MOST JOURNALISTS COMMENTED THAT AUSTRALIANS HISTORICALLY NOT LIKELY TO APPROVE CONSTITUTIONAL REFERENDA (ONLY 5 OUT OF 26 HAD PASSED BEFORE DEC. 8 SINCE FEDERATION IN 1901) AND THAT NONE HAVE BEEN PASSED WHEN OPPOSED BY A MAJOR PARTY. NONETHELESS, MAGNITUDE OF "NO" VOTE SEEN AS SOMEWHAT DIMMING LUSTRE OF WHITLAM'S REPUTATION AS CAMPAIGNER AND MODESTLY IMPROVING SNEDDEN'S PUBLIC IMAGE.

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5. EMBASSY COMMENT: THE DOUBLE NEGATIVE VOTE HAD BEEN WIDELY FORECAST ALTHOUGH A NARROWER MARGIN WAS GENERALLY EXPECTED. WHILE THE PRIME MINISTER WAGED ONLY A MODEST CAMPAIGN FOR THE REFERENDA, AND DID NOT COMMIT HIS PRESTIGE IN ANY REAL SENSE TO THE OUTCOME, THEY WERE VIGOROUSLY OPPOSED BY OPPOSITION PARTIES AND BY LARGE SECTIONS OF ORGANIZED LABOR. AT THE SAME TIME HOWEVER WHITLAM'S REPUTATION AS A LEADER OF ELECTORAL OPINION WAS TO SAY THE LEAST NOT ENHANCED BY THE OUTCOME. "NO-NO" VOTE WAS

HEAVY IN MANY LABOR STRONGHOLDS AND THE ABSENCE OF ACTU
SUPPORT PLUS THE TRADITIONAL BIAS OF AUSTRALIAN VOTERS
AGAINST ADOPTING CONSTITUTIONAL REFERENDA CERTAINLY CON-
TRIBUTED TO THE OUTCOME. ON BALANCE HOWEVER THE REJECTION
REFLECTS A CONTRACTION IN WHITLAM GOVERNMENT'S PUBLIC SUPPORT
AT THE END OF ITS FIRST YEAR AND RE-ENFORCES THE VIEW THAT
WHITLAM IS UNLIKELY TO SEEK NEW ELECTORAL MANDATE IN THE
NEAR FUTURE. THE REJECTION ALSO LEAVES THE GOA MORE
DEPENDENT THAN EVER ON INDIRECT CONTROLS AND ON TRADE,
MONETARY AND FISCAL MEASURES TO CONTINUE ITS ANTI-INFLATION
EFFORTS. ASIDE FROM PRICE AND INCOME CONTROLS, THE PRINCIPAL
ANTI-INFLATION DEVICES NOT YET UTILIZED ARE TAX INCREASES
AND REDUCTIONS IN PUBLIC EXPENDITURE, BOTH OF WHICH THE
LABOR CABINET WOULD FIND IT VERY DIFFICULT TO ADOPT IN THE
CONTEXT OF ITS ELECTION PROMISES AND ONGOING PROGRAM.
HARROP

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